CAMPAIGN FOR FAIRNESS

NOVA SCOTIA

102-05802/

CAMPAIGN *FOR* FAIRNESS

Nova Scotia Office of Intergovernmental Affairs

7th Floor, Joseph Howe Building, 1690 Hollis Street, P.O. Box 1617, Halifax, Nova Scotia, Canada B3J 3N8

Tel: (902) 424-5153 *Fax:* (902) 424-0728 *E-mail:* iga@gov.ns.ca

© Crown copyright, Province of Nova Scotia, 2001

This publication is available on the Internet at
www.gov.ns.ca/fairness

ISBN: 0-88871-670-2

Third Edition

Published by in conventional and electronic form by
Communications Nova Scotia

PRINTED IN CANADA

CAMPAIGN FOR FAIRNESS

Introduction

The Canadian federation was built by determined, self-reliant citizens. Our founders were people who carved a bright future for themselves and their families through hard work under often difficult conditions.

Nova Scotians played a strong and decisive role in that nation-building and they are resolved to seize that opportunity once again. Working within the Canadian family, Nova Scotians want to develop the strengths offered by offshore petroleum resources in order to build:

- A secure future for themselves and their children.
- A strong, vital economy that provides jobs and opportunities.
- Access to quality public services at levels of taxation comparable to other jurisdictions.

The Campaign for Fairness is about giving Nova Scotians the tools to accomplish these goals. This campaign is about enabling Nova Scotians to participate as full, contributing partners within the federation.

Ultimately, the Campaign for Fairness is about a vision for the future of Nova Scotia which promotes a culture of self-reliance and independence. This campaign is about creating a flourishing economy which contributes directly to the well-being and economic strength of Canada.

CAMPAIGN for FAIRNESS

Offshore Royalty Sharing

"The legislation ensures that Nova Scotia will receive the lion's share of offshore petroleum revenues. In fact, in the early years of the agreement, the province will receive substantially more revenues than if it owned the resource on land. There will be wider sharing of revenues only if the province's relative fiscal capacity... exceeds that of all other provinces.

Until Nova Scotia's per capita fiscal capacity reaches 110 per cent of the national average... the province will receive all offshore revenue..."

~ excerpt from a speech by Mr. Leonard Hopkins, MP, Parliamentary Secretary to the Hon. Jean Chretien, PC, MP, Minister of Energy, Mines and Resources, on second reading debate to enact Bill C-43, the *Canada-Nova Scotia Oil and Gas Agreement Act*, Hansard, June 28, 1984, p.5231.

- The Province of Nova Scotia is seeking from the Government of Canada an adjustment of the imbalance between the federal and provincial benefits from the development of Nova Scotia's offshore oil and gas resources — resources that Nova Scotia brought with it into Confederation.
- The Canada-Nova Scotia Agreement on Offshore Oil and Gas Management and Revenue Sharing of 1982 and the Canada-Nova Scotia Offshore Petroleum Resources Accord of 1986 identified the Province as the principal beneficiary of offshore benefits. Nova Scotia wants to ensure that future economic prospects are linked to provincial resources and initiative, and not to dependence on federal equalization transfers.
- Legislation passed in 1984 that implemented the 1982 Agreement intended "that Nova Scotia will receive the lion's share of offshore petroleum revenues." The 1986 Accord recognized "the right of Nova Scotia to be the principal beneficiary of the petroleum resources in the Offshore Area."
- Provisions in the legislation to implement both the Agreement and the Accord protected offshore revenues from the full effects of the clawback provisions of the Equalization formula which would have clawed them back almost dollar for dollar.

- The clear intent of these decisions was to provide Nova Scotia with a much needed opportunity to create a strong economy using offshore petroleum resources as the catalyst. Ontario and Quebec owe much of their economic development to the grant of authority over mineral and hydro-electric resources in the previously federal lands that became Northern Ontario and Nouveau Québec between 1889 and 1912. Similarly, the grant of subsoil rights to the three Prairie provinces by the Constitution Act, 1930, spurred significant economic benefits for these provinces, particularly Alberta, which was allowed to protect its revenue stream during the crucial development period of its petroleum resources. Nova Scotia has a right to benefit from the deep sea offshore resources just as Alberta, Ontario and Quebec have benefitted from resources attributable to the acquisition of federal lands.
- This strategic approach was not new: many provinces have been given the chance to benefit from subsoil mineral and petroleum resources on former federal lands. Such opportunities allowed rapid and sustained economic growth to occur in at least five provinces. The strong economies which resulted from those strategic decisions have benefitted all of Canada. It is Nova Scotia's wish to exploit the resources of the offshore in a way which will create a strengthened economy.
- Calculations by the NS Department of Finance and the NS Petroleum Directorate indicate that the federal government will receive approximately 80 per cent of the royalties and other revenues associated with offshore petroleum development.
- Nova Scotia is proposing that Ottawa should recognize the Province as the principal beneficiary of petroleum development in its offshore according to the spirit and intent of the 1982 Agreement and 1986 Accord. This approach would be entirely consistent with the decisions made between 1889 and 1930 which resulted in stronger economies for the Prairie provinces, Ontario and Quebec. Recognizing Nova Scotia's principal beneficiary status would provide Nova Scotians with a similar opportunity.

CAMPAIGN FOR FAIRNESS

OFFSHORE RESOURCE ROYALTY SHARING ARRANGEMENTS:

Historical Arguments in Support of Nova Scotia's Position

CAMPAIGN for FAIRNESS

The Issue Today

- The strategic intent of the 1986 Canada-Nova Scotia Offshore Accord was forward-looking, and designed to redress the circumstances which had not allowed the Province to take advantage of Canada's territorial advance into the north and the west. Offshore oil and gas development offered the best opportunity to deal with this issue and the compact of the Accord supported that plan.
- On this basis, Nova Scotia agreed to waive issues relating to jurisdiction and concentrate on development of the resource, not on arguing with the federal government.
- Today, Nova Scotia receives just 19 cents from every dollar of offshore royalty revenue generated compared with 81 cents for the federal government. These figures dramatically underscore the fact that neither the spirit nor the intent of the Accord has been implemented. It is time to take a fresh look at ways to honour the original plan.

The Historical Record

- Beginning in 1869, the steady territorial expansion of Canada into the north and west embraced huge areas of Crown-held "Dominion lands," and created what is now northern Ontario, Nouveau Québec, Saskatchewan, Alberta and Manitoba.
- Canadian responsibility for consolidation of these lands was only right and proper: the understanding of all provinces was that these north-west territories were to be held in common for the benefit of all Canadians in the nation. As it happened, these areas were rich in valuable minerals, petroleum deposits, and would later generate inexpensive hydro-electric power.
- The federal government, however, gave large tracts of the Northwest Territories to provinces, or created new provinces out of them.
- In 1889, Ontario boundaries were extended northwards as far as James Bay. Almost a decade later, the same process occurred for Québec.
- This gradual devolution of the northern and western territories to the provinces continued in 1912 when the boundaries of Ontario, Quebec and Manitoba were extended to their current delimitations. For Quebec and Ontario, this expansion included the extension of subsoil rights.

CAMPAIGN FOR FAIRNESS

(The Historical Record)

- There was enormous and immediate impact from these changes. Many areas in which rights were conceded, such as Timmins and Kapuskasing for example, were extremely rich in subsoil mineral deposits. Furthermore, as technology improved, provinces which gained territory were able to generate inexpensive hydro-electric power which has fueled provincial economies and provided a lucrative export.
- The Constitution Act of 1930, ceded subsoil rights to the Prairie provinces. These provinces thus achieved a position of equity within Confederation by being able to profit from their own natural resources. This decision was in the best interests of both the region and the nation. Nova Scotia now has an opportunity to create a like economic climate which will ultimately benefit all Canadians by reducing dependency and fostering self reliance.

Nova Scotia's Offshore Resources in Context

- While grants of subsoil rights were made to other provinces, no balancing concession was made to Nova Scotia or other Maritime provinces.
- When petroleum prospectivity off Nova Scotia was confirmed in the 1960s, the federal government made considerable efforts to ensure that Nova Scotia would become the primary beneficiary of these resources. The 1982 Agreement on Offshore Oil and Gas Revenue Management and Sharing, implemented by legislation in 1984, ensured that the province would receive all offshore revenue, including the federal petroleum and gas revenue tax, until the province reached 110 percent of the national average fiscal capacity.
- The Canada-Nova Scotia Offshore Accord, which replaced the 1982 Agreement, was signed in 1986. This Accord was clearly designed to honour both the spirit and the letter of the negotiations which had been ongoing over the jurisdiction and benefit issues since the 1960s. Nova Scotia was intended to be the "principal beneficiary" of petroleum development offshore.
- In spite of the intent built into the Offshore Accord, Nova Scotia is in a unique and profoundly unfair position. The province has received few benefits from territorial growth into former "Dominion lands," and now it receives few benefits from the development and exploitation of the offshore.

CAMPAIGN FOR FAIRNESS

Conclusion

By achieving status as the "principal beneficiary" of offshore petroleum development, Nova Scotia will realize its first chance in over a century to create a thriving regional economy. This will help strengthen the entire federation.

This opportunity to benefit from a unique, non-renewable resource is time-constrained. It must, therefore, be viewed as a catalyst that will reposition and diversify Nova Scotia's economy for the long term.

For the first time in decades, Nova Scotians are in a position to seize this chance to create a prosperous future for themselves.

Nova Scotians need no special arrangements or *ad hoc* plans to make this future into a reality. Nova Scotians need nothing more than the full implementation of the agreement made in 1986 which was clearly designed to support positive, strategic and lasting change.

CANADA 1871

Source: Historical Atlas of Canada, Third Revised Edition

CANADA 2001